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**FOLLOW YOUR MILK TO MARKET**

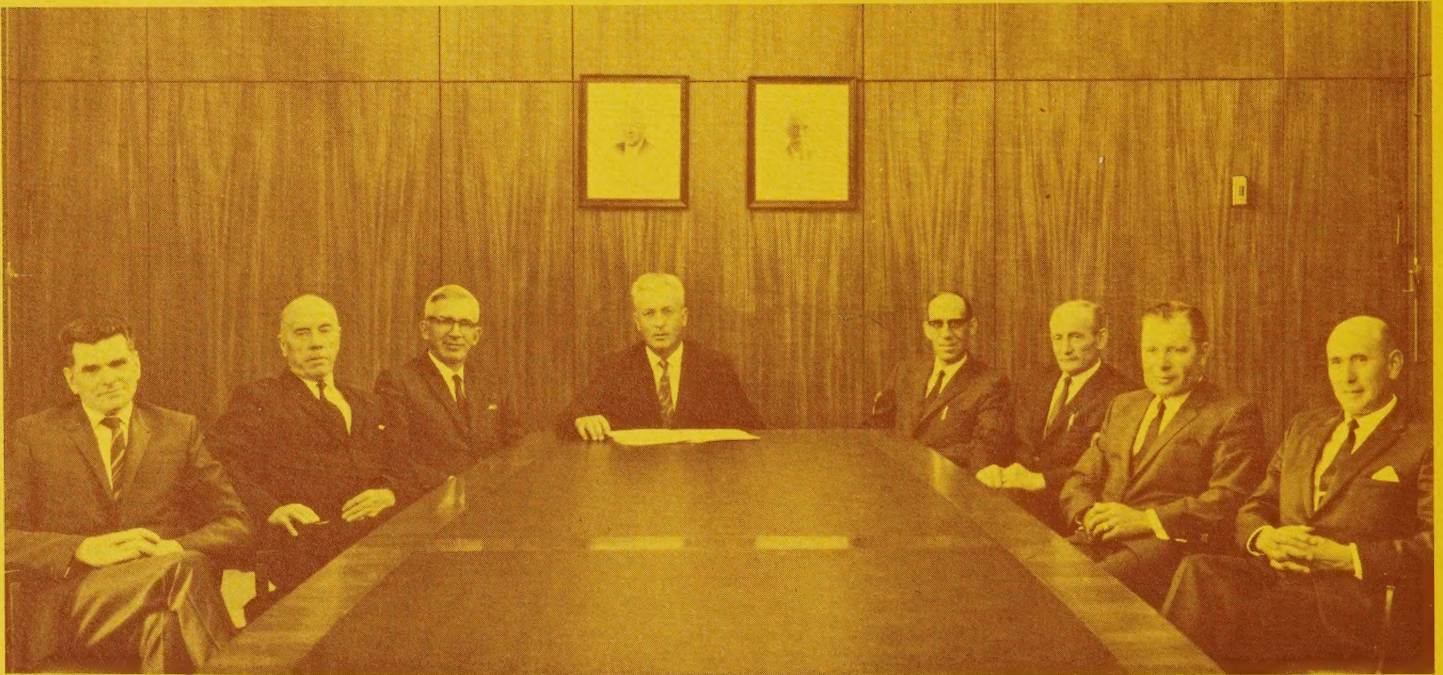


# **1969 ANNUAL REPORT**

**UNITED DAIRY PRODUCERS CO-OPERATIVE LIMITED**



## 1968 -1969 BOARD OF DIRECTORS



Bruce McCutcheon, Proton; Frederick Hamilton, Guelph; George Sutherland, Chatsworth; Alex Bell, President, Franktown; Martin Baan, 2nd Vice-President, Walton; Bert Tuintjer, Laurel; Melville Proud, Tara; Walter Hamel, Elmwood.



# DIRECTORS' REPORT

## TO THE 1969 ANNUAL MEETING

This is the eleventh year in which the directors of U.D.P.C. are reporting to you, the members and patrons. We are pleased to present a much improved operation over a year ago. A full report on operations will be given to you in the Management report. Two reasons for the improvement are that U.D.P.C. has gained strength in the organization itself and also in the market place during the eleven years of operation.

### PRODUCERS IN BUSINESS

Our theme for this year's report is "FOLLOW YOUR MILK TO MARKET". Your board feels that it is more important now than ever before not to just sell but to market our milk, cream and eggs in raw, semi-processed and finished products in order to obtain a higher price or greater return for our produce. We not only have the right as dairy producers to do this but we also have a duty to do what we can in order to bridge the gap between producers and consumers to help ourselves in our modern agri-business. Our sales volume is up from last year to \$25,734,394. Our savings are also up to \$104,593. This is partly due to more centralized handling and processing of produce and the elimination of more of our small operations — not of our own will, but forced by the economic factors involved.

### OPERATIONAL CHANGES

The Owen Sound 8th Street building was sold during the year. Cream receiving only was continued at 2nd Avenue for some time but by the end of the year plans were going ahead to close it and for the cream patrons to be serviced by our trucks. Kimberley District Co-operative purchased Dundalk Creamery and this addition to their volume should help Kimberley's operations. Other properties sold were the old Seaforth egg grading station, the Cobden plant, the Perth frosty locker business and the receiving station at Durham. These disposals will help to strengthen our working capital ratio.

### DEATH OF NEIL MacDONALD, 1st VICE-PRESIDENT

This was a sad happening in our board. Mr. MacDonald died April 12, 1969. Your board felt this loss very much as he was one of our younger directors with a great deal of potential. The board decided at that time not to fill the balance of his term as director or vice-president. At this year's Annual Meeting an election will be held to fill the vacancy.

### MEMBERSHIP CONTROL AND FINANCE

This was the first year of operation with three zones and the revised delegate constitution. The delegates of each zone met quarterly to receive financial, management and directors' reports. Their contribution to these reports and other matters was much appreciated by management and directors alike as this is a feedback of member thinking regarding your organization. One-third of the delegates will be up for re-election this year.

Membership remained about the same as last year. 167 members were lost due to death, retirement, or leaving the province, etc. 131 new members were signed up leaving a net total of 3,350 members at the end of the year. This is 36 down from last year.

Many members who transferred to the Grade I Pool continued to purchase shares in U.D.P.C. and the O.M.M.B. is making the necessary deductions. The Board is very pleased that so many members are doing this and we also appreciate the co-operation of the O.M.M.B. in making the deduction.

### EDUCATION AND EXCHANGES

A seminar for delegates, similar to the one held in Bolton last October, was held in Markdale and Guelph in March. U.D.P.C. again had two delegates attend the Hugh Bailey Memorial Tour in February and also sponsored four young men at the Co-op Summer Youth Camp.



## SPECIAL PROJECTS

U.D.P.C. contributes a considerable amount of time on a continuing basis to the affairs of such organizations as Dairy Farmers of Canada, Canadian Dairy Foods Service Bureau, Ontario Federation of Agriculture and others. In the past year, director and staff time was contributed to a committee set up to prepare a brief to the Select Committee on Company Law; also to the Canadian Agricultural Congress in March and the Ontario Agricultural Conference. A meeting was also attended in the spring of Canadian Dairy Co-operatives which was called to discuss ways in which dairy co-operatives across Canada could co-operate with one another.

## INTEREST AND DIVIDENDS

Debenture interest remained the same but is up for review in the near future. Out of this year's earnings your Board of Directors declared a dividend on share capital of 60c per common share plus a special dividend of 20c per common share, which is 20c more than last year.

In view of the O.M.M.B. operations in Ontario and their plan to take over the selling of all raw milk by next spring, they will make it impossible for you as producer member or patron to sell or deal through your own co-operative organization. They will also make it very difficult for you as a member to share in the benefits and savings of U.D.P.C. As an alternative your board is presenting to you a program of share appreciation. Firstly to make it more attractive for producers to invest in shares and secondly to enable shareholders to benefit from the earnings by the appreciation of their shares. This will be further explained to you later in the meeting. The board asks you to give this your most careful consideration as it is a major decision to make, especially in view of our Co-operative principles as we now know them.

## STAFF

This is a very important group in our Co-operative. At year end U.D.P.C. had 294 permanent and 50 part-time employees which is 17 more than a year ago. Several improvements were made in employee benefits affecting vacation, medical insurance, supplementary sick benefits and higher pension payments for those already retired. Salary reviews and adjustments were made during the year in keeping with U.D.P.C.'s policy of paying competitive wages and salaries. The Board, on behalf of the membership, wishes to thank the staff for their contribution in making 1969 such a successful year for U.D.P.C.

*Alex Bell*

President, United Dairy Producers Co-operative Limited

## BOARD OF DIRECTORS

Zone 1: Alex Bell, President

Zone 3: Martin Baan, 2nd Vice-President

Zone 2: George Sutherland

At Large: Melville Proud

Zone 2: Walter Hamel

UCO Appointee: Frederick Hamilton

Zone 3: Bert Tuintjer

UCO Appointee: Bruce McCutcheon

# ZONE MEETING AGENDA

**Lunch**

**Introductions and Presentations**

**President's Address**

**1. Minutes**

**2. Chairman's Remarks**

**3. Directors' Report**

**4. Management Report**

**5. Financial Statements**

**— Question Period**

**6. Election of Zone Directors for a 2-year term (1 Director to be elected in Zones 2 and 3)**

**7. Election of Delegates**

**(Pakenham — 2 to be elected for 3 years)**

**(Owen Sound — 10 to be elected — 9 for 3 years; 1 for 1 year)**

**(Guelph — 9 to be elected for 3 years)**

**8. Discussions and Questions**

**— Adjournment**



# United Dairy Producers Co-operative Limited

## CONDENSED STATEMENT OF OPERATIONS

For the year ended September 30, 1969

(With comparative amounts for 1968)

	1969	%	1968	%
SALES .....	<u>\$25,734,394</u>	100.0	<u>\$23,684,310</u>	100.0
COST OF GOODS SOLD (Including \$289,317 depreciation in 1969 and \$322,914 in 1968 (Note 2) .....	<u>23,636,678</u>	91.8	<u>22,014,324</u>	92.9
GROSS MARGIN .....	<u>2,097,716</u>	8.2	<u>1,669,986</u>	7.1
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES				
Depreciation (Note 2) .....	75,970		69,024	
Remuneration of directors and senior officers .....	114,406		110,490	
Interest on long term debt .....	132,531		134,883	
Interest on short term loans .....	31,614		53,978	
Goodwill written off (Note 3) .....	21,500		6,000	
Other expenses .....	1,459,571		1,239,593	
	<u>1,835,592</u>	7.2	<u>1,613,887</u>	6.8
SAVINGS ON OPERATIONS .....	262,124	1.0	56,099	0.3
OTHER				
Gain (Loss) on disposal of fixed assets — net .....	(16,531)	(0.1)	20,910	0.1
	<u>245,593</u>	0.9	<u>77,009</u>	0.4
PROVISION FOR INCOME TAXES (Note 5) .....	141,000	0.5	20,000	0.1
NET SAVINGS FOR THE YEAR .....	<u>\$ 104,593</u>	0.4	<u>\$ 57,009</u>	0.3

See the accompanying notes to these financial statements.

# **G.H. WARD & PARTNERS**

BROCKVILLE	OWEN SOUND
CHATHAM	PETERBOROUGH
ESSEX	PORT ELGIN
GANANOQUE	RIDGETOWN
GUELPH	ST. CATHARINES
HANOVER	WALKERTON
KITCHENER	WELLAND
LINDSAY	WIARTON
OTTAWA	WOODSTOCK

*Chartered Accountants*

111 RICHMOND STREET W.  
TORONTO 1  
TEL. 363-5735

## AUDITORS' REPORT

To the Shareholders  
United Dairy Producers Co-operative Limited

We have examined the balance sheet of United Dairy Producers Co-operative Limited as at September 30, 1969 and the statements of operations, general reserve and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the co-operative as at September 30, 1969 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied, except as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

*G. H. Ward & Partners*

Toronto, Ontario  
November 4, 1969

Chartered Accountants



# United Dairy Producers

## BALANCE SHEET AT

(With comparative amounts)

### ASSETS

#### CURRENT

	1969	1968
Cash .....	\$ 367,944	\$ 139,137
Note receivable .....	100,000	—
Accounts receivable, less allowance for doubtful accounts (1969 — \$35,939; 1968 — \$34,265) .....	1,198,561	1,034,954
Inventories, valued at the lower of cost or replacement cost (Note 1) .....	2,000,347	3,018,674
Prepaid expenses .....	41,273	37,028
	<u>3,708,125</u>	<u>4,229,793</u>

#### PROPERTY AND EQUIPMENT (Note 2)

	Cost	Accumulated Depreciation	Net		
Land .....	\$ 47,095		\$ 47,095		
Buildings .....	1,294,518	\$ 226,992	1,067,526		
Machinery and equipment .....	3,181,211	1,934,097	1,247,114		
Automobiles and trucks .....	636,328	505,531	130,797		
	<u>\$ 5,159,152</u>	<u>\$ 2,666,620</u>		<u>2,492,532</u>	<u>2,434,793</u>

#### OTHER ASSETS

Accounts receivable, not due within one year .....	199,984	159,693
Mortgages receivable .....	32,005	36,850
Loans to and investments in other co-operatives—at cost .....	25,226	25,043
Deposits on purchase of fixed assets .....	18,525	20,935
Goodwill (Note 3) .....	—	21,500
	<u>275,740</u>	<u>264,021</u>

\$ 6,476,397   \$ 6,928,607

See the accompanying notes to these financial statements.

Approved by the Board:

A. BELL, Director

C. M. BAAN, Director



# Co-operative Limited

SEPTEMBER 30, 1969

(September 30, 1968)

## LIABILITIES AND MEMBERS' EQUITY

CURRENT	1969	1968
Outstanding cheques .....	\$ 546,344	\$ 607,805
Bank loan (Note 4) .....	—	320,600
Accounts payable and accrued expenses .....	2,276,617	2,534,314
Current instalments on long term debt (Note 6) .....	271,450	151,210
Taxes payable (Note 5) .....	22,217	25,996
Total current liabilities .....	3,116,628	3,639,925
DEFERRED INCOME TAXES (Note 5) .....	214,235	83,735
LONG TERM DEBT (Note 6) .....	2,092,202	2,268,482
	<u>5,423,065</u>	<u>5,992,142</u>

## MEMBERS' EQUITY

### Capital Stock

#### Authorized:

100 co-operative non-cumulative 5% preference shares of \$100 par value, redeemable at par .....	\$ 10,000
100,000 co-operative common shares of \$10 par value .....	1,000,000
	<u>\$ 1,010,000</u>

#### Issued and fully paid:

100 co-operative preference shares .....	10,000	10,000
84,143 co-operative common shares of which 6,249 were issued during the year for cash .....	841,430	778,940
Partial payments received on common shares subscribed for but not yet issued .....	10,922	13,901
	<u>862,352</u>	<u>802,841</u>
GENERAL RESERVE — see statement .....	190,980	133,624
	<u>1,053,332</u>	<u>936,465</u>
	<u>\$ 6,476,397</u>	<u>\$ 6,928,607</u>



## NOTES TO FINANCIAL STATEMENTS

September 30, 1969

### 1. INVENTORIES

Manufacturers and cutters of butter are permitted under an arrangement with the Canadian Dairy Commission to sell butter to the Commission for government storage, during certain periods, at a fixed price. The Commission then undertakes to resell the butter back to the manufacturer or cutter during a specified period at the current government purchase price for such butter.

At September 30, 1969 butter in government storage, priced at the lower of the co-operative's cost or replacement cost, amounted to \$786,995 and is included in the total inventory figure of \$2,000,347 as shown in the co-operative's balance sheet. Funds advanced by the Canadian Dairy Commission, relating to butter held in government storage at September 30, 1969 amounts to \$738,665 and is included in the balance sheet as part of accounts payable and accrued expenses.

This accounting treatment is consistent with the previous year.

### 2. DEPRECIATION

Depreciation has been provided on the fixed assets of the co-operative on a straight-line basis at rates estimated to provide fully for the cost of the fixed assets over their useful lives, as follows:

Buildings	— 2½ %
Machinery and equipment	— 10%
Automobiles and trucks	— 30% in first year decreasing to 10% in fifth year

### 3. GOODWILL

In prior years, it has been the policy of the co-operative to charge operations each year with a portion of goodwill. In 1969, the balance of goodwill remaining on the co-operative's books, amounting to \$21,500 was written off and charged to operations. This amount is \$15,500 greater than the amount charged to operations in the previous year.

### 4. SECURITY FOR BANK LOAN

Bank loans and advances are secured by a general assignment of book debts and merchandise inventories specified in Section 88 of the Bank Act.

### 5. INCOME TAXES

Provision for income taxes during the year amounted to \$141,000. As the co-operative will be able to claim for tax purposes an amount greater than the depreciation recorded in the accounts, only \$10,500 of this will be payable for the fiscal year ended September 30, 1969. The resulting provision in the amount of \$130,500 is applicable to those future periods in which the amounts claimed for tax purposes will be less than the depreciation recorded in the accounts and is, accordingly, included in the balance sheet in the item "Deferred Income Taxes".

### 6. LONG TERM DEBT

Details of amounts outstanding were:

Debentures	4½%	5%	5½%	6%	Total
1971 .....	\$ 2,630			\$229,350	\$ 231,980
1972 .....	570	\$ 6,660	\$ 930	75,070	83,230
1973 .....		36,480	5,810		42,290
1974 .....		10,300	6,710	130	17,140
1975 .....		8,420	1,870	100	10,390
1976 .....		50		150	200
1977 .....				13,370	13,370
1978 .....		15,220		7,780	23,000
1979 .....		600		500	1,100
1980 .....			400	4,620	5,020
1981 .....			260	11,400	11,660
1982 .....			900	6,530	7,430
1983 .....			25,890	10,400	36,290
1984 .....		100,000	32,010	10,000	142,010
1985 .....		100,000	102,100	1,000	203,100
1986 .....		100,000	500		100,500
1987 .....		100,000			100,000
1988 .....		90,000			90,000
	<u>\$ 3,200</u>	<u>\$567,730</u>	<u>\$177,380</u>	<u>\$370,400</u>	<u>1,118,710</u>

#### Mortgages

5¼% payable over the next 14 years in equal instalments of \$46,730 .....	\$654,222
6% due 1986, payable \$12,500 per annum .....	212,500
6% due 1976, payable \$10,000 per annum .....	80,000

946,722

Less: Principal repayments due within one year .....

69,230

877,492

#### Notes Payable

7% due 1977 .....	25,000
7% due 1978 .....	40,000
8% due 1979 .....	11,000
8% due 1974 .....	20,000

96,000

TOTAL LONG TERM DEBT .....

\$ 2,092,202

During the year new debentures totalling \$16,690 were issued and debentures totalling \$49,500 were redeemed.

### 7. PENSION

The amount charged to earnings in 1969 in respect of employees' pension plans includes payments on account of past service costs resulting from a plan instituted in 1964. These past service pension costs are being funded over a period not exceeding 25 years. Based on the most recent independent actuarial report the single sum liability for unfunded pension benefits is estimated to be \$67,000 at September 30, 1969.



# United Dairy Producers Co-operative Limited

## STATEMENT OF GENERAL RESERVE

For the year ended September 30, 1969

(With comparative amounts for 1968)

	1969	1968
Balance, beginning of year .....	\$133,624	\$120,715
Deduct:		
Dividend on common shares — 60c per share .....	46,737	43,600
Dividend on preference shares — 5% .....	500	500
	47,237	44,100
	86,387	76,615
Net savings for the year .....	104,593	57,009
Balance, end of year .....	\$190,980	\$133,624

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended September 30, 1969

(With comparative amounts for 1968)

	1969	1968
<b>SOURCE OF FUNDS</b>		
Net funds derived from operations		
Net savings for the year .....	\$104,593	\$ 57,009
Add: Charges to operations which did not require the outlay of funds		
Depreciation .....	365,287	391,938
Goodwill written off — (Note 3) .....	21,500	6,000
Increase in tax reductions .....	130,500	20,000
Total arising from operations .....	621,880	474,947
Funds received on note payable .....	46,000	50,000
Debentures issued .....	16,690	18,590
Common shares issued .....	62,490	52,280
Disposal of fixed assets — net book value .....	106,572	67,864
Decrease in deposits on purchase of fixed assets .....	2,410	—
Decrease in mortgages receivable .....	4,845	—
Increase in partial payments received on shares subscribed for but not yet issued	—	1,248
	860,887	664,929
<b>APPLICATION OF FUNDS</b>		
Additions to property and equipment .....	529,599	369,012
Dividends on shares .....	47,237	44,100
Reduction of debentures .....	169,739	47,100
Deposits on purchase of fixed assets .....	—	20,935
Decrease in partial payments received on shares subscribed for but not yet issued	2,979	—
Increase in long term accounts receivable — net .....	40,291	2,692
Increase in mortgages receivable .....	—	12,650
Increase in investments to other co-operatives .....	183	187
Mortgage repayments .....	69,230	69,231
	859,258	565,907
<b>INCREASE IN WORKING CAPITAL .....</b>	<b>\$ 1,629</b>	<b>\$ 99,022</b>





T. E. BRADY  
General Manager

## MANAGEMENT REPORT

FOR YEAR ENDING SEPTEMBER 30, 1969

Your management is pleased to present a good statement for U.D.P.C.'s eleventh year of operations. Each month in all of our plants we go through the process of taking stock and presenting operating statements to your Board of Directors (quarterly statements are presented to the delegates). Once a year we, the management of U.D.P.C., join with you, the member shareholders, in a corporate stock-taking. We look at, consider and evaluate not only the financial position of our co-operative but also the factors which have influenced our operations in the past year and those things that influence our present operations as well as future service and performance.

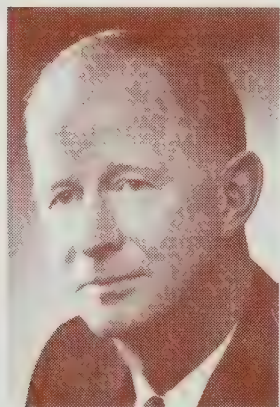
For the year under review U.D.P.C. shows a sales volume of \$25,734,394., which is an increase of 8.8% over last year. Earnings have improved considerably and out of earnings your Board of Directors have declared a dividend of 60c per Common Share plus a special dividend of 20c per Common Share for a total dividend of 80c. The balance of earnings has been transferred to general reserve in order to improve the financial stability of your organization.

Many of our objectives — including increased gross margins, decreased unit costs because of larger volume, more automated equipment, increased export business and increased volume in special products were all reaching fruition during the past year. We must continue with these objectives with even more emphasis on new and different products.

We are in business to market milk, cream and eggs for producers and in line with the theme of this year's Annual Report, "FOLLOW YOUR MILK TO MARKET", we believe that selling these raw products as attractive consumer foods will achieve the best return for our member shareholders. As mentioned in the Directors' Report we have to find methods other than the patronage dividend route for our member shareholders to share in the earnings.

The processing and marketing of our produce is something which should not be left to others. Who but the primary producer has the most interest in getting the best price? Who but the primary producer is most dependent on the sale of his produce? Who but the primary producer should be more interested in developing new outlets for his produce in as many forms as product research laboratories can develop? Through U.D.P.C., producers can achieve some of these advantages and whether or not your milk is going to a U.D.P.C. plant you can share in the responsibilities as well as the advantages. The responsibilities include financing your co-operative by continuing to purchase shares or soliciting non-members to purchase shares through the retain system. The O.M.M.B. is prepared to make the deduction for the purchase of U.D.P.C. shares upon notification.

The balance of our year end stock-taking or assessment is included in the reports from our three division managers.



L. A. STEPHENS  
Manager, Milk Division

### MILK DIVISION

One of the problems unique to the industrial milk processor is the seasonality of milk production. Total monthly milk production used in Ontario for fluid and industrial purposes ranges from a low of 380 million lbs. in mid-winter to 660 million lbs. in June. The requirements for the fluid sector remain fairly constant, averaging in Ontario about 175 million lbs. per month. The remainder ranges from a low of 215 million in February to a high of 490 million — a ratio of nearly 2¼:1 — forcing the industrial processors to act as the balance wheel for the industry. In other words, a processor geared to operate efficiently at capacity to handle peak volume is forced to operate well below capacity for all but 4 or 5 months of the year. Total volume therefore is of critical importance in a successful operation. More throughput is required annually to hold processing costs in check against the continually rising indices of goods and services. With the many changes in store for the industry the problem of maintaining total volume increases in proportion.

Milk volume processed through our plants this year increased by 13% to just over ¼ billion lbs. The volume of farm-separated cream declined a further 10%. Despite a continuing decline in the per capita



consumption of butter our sales were increased. All of U.D.P.C.'s production of 14 million lbs. was sold on the domestic market, mostly in consumer sized packages. The percentage of direct deliveries was further improved, decreasing intermediate warehousing. Milk powder production totalled 22 million lbs., sales were expanded and important new export outlets established.

The installation of a triple effect falling film skim milk evaporator at Guelph provides a combined processing capacity at Guelph and Tara of 1¼ million lbs. daily. Other additions at Guelph included a butter printer with a capacity of 4,200 prints per hour and packaging for milk-in-a-bag. Presently a building addition is under construction and new high speed continuous butter-making equipment is on order.

The outlook for the coming year is less promising. Currently volume of milk production is running well behind last year and margins have been sharply reduced. Last year 82 of our bulk milk shippers joined the Grade A Pool on the graduated entry basis, followed by another 94 this year. It does not follow that we lose all the milk from these 176 patrons but we lose it in the low production period.

In December the Ontario Milk Marketing Board is taking over the milk payment program for all industrial milk in Western Ontario, with direction of all industrial milk in Ontario scheduled for April 1, 1970. Plant supply quotas are being established and much needed rationalization of trucking may finally become a reality. These are fore-runners of further changes. A study of the economics of processing was initiated several months ago by industry and government, intended to provide plans and resources for required consolidation and the maintenance of a viable industry. It is expected that this program may soon be finalized. The combined impact of all of these changes in production and marketing will have important effects on the entire industry. Our best attention will be required in order for our operations to continue successfully.

Corporate member co-operatives at Villa Nova, Kimberley and New Dundee also participated in our marketing program; we would like to acknowledge their continued support.



M. N. McCARTER  
Manager,  
Special Products Division

#### SPECIAL PRODUCTS DIVISION

1969 was another year of progress for the Special Products Division. The operations of the Weston Sales Department were substantially improved, and the sales of special products showed an increase of 45% over last year. Gay Lea product sales were up 82% and Gay Lea Jus' Squeezed drink sales were up 64%, despite increasing and vigorous competition. This would indicate that our emphasis on high quality and the Gay Lea marketing program continues to prove attractive to consumers who patronized our products in ever increasing numbers. The sales of butter through the Weston Warehouse were down 32% from last year due to the policy of directing an increasing portion of butter sales from the processing plants to the retail market.

Due to changes in milk marketing the receipts of surplus milk at Metro Branch were down 32% from last year and a further decrease is anticipated for 1970. Increased sales of Gay Lea products and drinks partially offset the lower revenues caused by the loss of milk volume last year. Forecast of sales volume appears sufficient to ensure satisfactory operations for next year. A continuing

program of improving and enlarging production facilities at Metro has been necessary to meet the demands of higher sales. The installation of high speed, semi-automated processing and packaging equipment will improve efficiency and reduce unit costs.

Woodstock continued to operate at a slight loss for the year. New cheese cutting and packaging equipment is currently being installed, and prospects for the year ahead are more promising.

The operation of the Seaforth Egg Station continues to be a difficult one, and every effort is being made to find the key to improving these operations.

Perhaps the most significant development in 1969 was our entry into the food-away-from-home market to meet the growing trend of consumers spending more and more food dollars outside the supermarket—in plant and institution cafeterias, fast food drive-ins, and the quick take-out food restaurants. During the past summer, we introduced individual portions of yogurt desserts and beverages in throw-away containers to gain a share of this fast growing market. The initial reception of our products has been excellent.

The year ahead will continue to impose many problems. The control of increasing costs will continue to be of major concern due to our inability to pass much of the increasing cost of labour and materials to the consumer. The dairy industry is in a sharp period of change, however, we are confident that our employees have the resourcefulness and imagination needed to assure the continuing growth of our company and the membership we serve.

You will find some of the marketing programs, new products, and packaging introduced during 1969 on the inside back cover of this report. These illustrate this year's theme "FOLLOW YOUR MILK TO MARKET".





V. B. McQUEEN  
Treasurer

## FINANCE DIVISION

This year has been one of unsettled financial conditions for our economy, featuring such things as inflation, tight money and an all-time high in interest rates. Despite this we are pleased to report that our total interest costs actually decreased by 13% this year and our financial position has improved. A company of our size, however, needs more permanent capital. This year our net increase in shares amounted to \$62,490. The very best permanent capital for U.D.P.C. is our general reserve and it is important that an adequate "plough-back" of earnings is made each year to ensure stability and strength. In line with this thinking we will be presenting a share appreciation plan to our shareholders so that they will be able to fulfill this vital need by allowing earnings to remain in the company and yet will share directly in the prosperity of U.D.P.C. The next few years will produce an increase in the flow of debentures due for redemption. We are presently formulating plans to encourage re-investment of these funds and to attract new debenture investment.

Once again we can report that bad debt losses have been very small. Accounts Receivable from customers are in a current position and inventories are at a low level. These factors, plus the disposal of unused properties and higher earnings have decreased our borrowings and interest payable and subsequently added to the earnings of the company.

The book value of each U.D.P.C. share was \$12.27 at year end and earnings per share amounted to \$1.24, compared with \$.73 last year.

The **New Product Development** department which comes under the Finance Division has developed seven new yogurt flavours which are presently on the market and several more are ready to market. A sour cream salad dressing was developed and test marketed this summer and other new products are at the marketing stage. Our laboratory staff are working on several new milk based products and two research projects of a long term nature. We have also been able to assist our Metro plant management in finding more efficient ways to produce our present products. A rigid quality control program is in effect at this plant to ensure that all products are of the very best quality in line with our GAY LEA standards.

## MARKET PRICES AND TRENDS

### CANADIAN PRODUCTION (000's lbs.) — JANUARY TO SEPTEMBER

	1966	1967	1968	1969	% of 1968
Butter .....	271,154	267,223	266,382	278,968	105%
Cheddar Cheese .....	131,917	126,061	130,118	130,329	100%
Skim Milk Powder .....	213,045	258,102	288,168	305,292	106%
All Milk .....	14,419,000	14,213,000	14,200,022	14,491,000	101½ %

From the above tables it can be seen that total milk production in Canada is up 1½% from 1968 and in fact exceeds the 1966 production for the same period. It is interesting to note that most of the increase has been in the Province of Quebec. Butter production is running 5% above last year and stocks on hand were up 28.8 million lbs. to a total of 103.2 million. Consumption of butter is running almost 1 million lbs. per month less than a year ago and this means we will have a surplus of butter carried into the new production season.

Cheese production is almost the same as last year and stocks on hand at 95 million lbs. are 5 million lbs. lower than last year. The Canadian Dairy Commission supported cheese at 47c for 93 score and 46½c for 92 score up to October 31 and has announced it will support cheese at 42c per lb. for the period from November 1, 1969 to March 31, 1970. This winter support price is ½c per lb. less than last winter.

Skim milk powder is 6% above last year and stocks of 217 million lbs. at September 30 are down 16 million lbs. from a year ago owing to improved export activity. Almost two-thirds of our skim milk powder production has to be exported and this means that the C.D.C. support price of 20c per lb., along with an export subsidy program is vital to the industry.

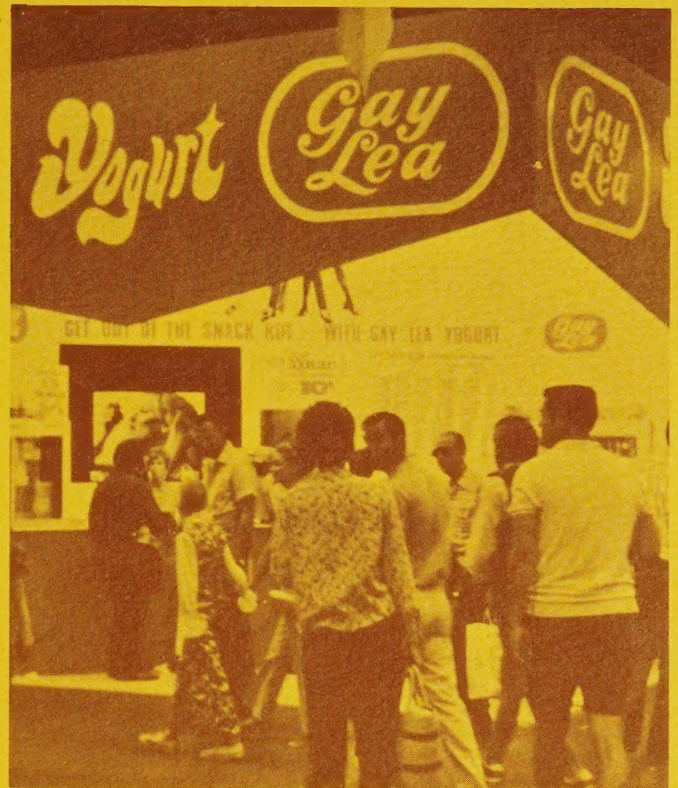
Egg production in 1969 is running 1.7% ahead of 1968 with total production for the first 8 months at 310 million dozen. The weighted average price to producers for the year ended September 30 for Grade A Large was 42.3c per dozen and this means that no deficiency payment will be made. The weighted average price to producers for all grades of eggs for the year to date is 35.8c per dozen and this compares with 29.6c in 1968 and 28.4c in 1967.

Management wishes to thank the Board of Directors, the Zone Delegates and the general membership for their continued support during the year. Management also expresses appreciation to the staff for their efforts. We are looking forward to the challenge of the 70's.

General Manager



# NEW YOGURT PACKAGING



have you tried it?



Today just about everybody's trying Gay Lea Yogurt...and they love it. Never too fat or heavy for your taste. Try it anytime. For breakfast, lunch or night time snack...it makes everything else you eat taste great, too.

Try Gay Lea Yogurt in regular or Swiss style in any of 12 wild flavours. Available in 4 oz., 6 oz., 8 oz. and 16 oz. sizes.

*Come to think of it, your only problem might be choosing a flavour.*

UNITED DAIRY PRODUCERS CO-OPERATIVE LIMITED, WILSON, ONTARIO

## NEWSPAPER ADVERTISEMENT



JAY NELSON, CHUM

Have you tried it?



SUPERMARKET BILLBOARD

## Marketing Your Milk

At one time, not too long ago all we had to do was put a dairy product on the supermarket shelf and if the consumer liked it she would buy it. Today it takes a lot more to do the job.

The reason is that today's consumer is more sophisticated and more selective in her purchasing. This holds true for the food outlets who stock our products and put them on the shelf. This is where good marketing methods must be developed and put into action.

The pictures you see on this page tell the story of our marketing program for Gay Lea. Big, eye-catching advertisements in daily newspapers...pleasant to hear radio messages...colorful billboards urging the consumer to buy Gay Lea Products on her way to the store...convenient attractive packaging...plus an exciting busy booth at the 1969 Canadian National Exhibition where 65,000 sampled and enjoyed Gay Lea Yogurt.

This outlines our marketing program—how we told approximately 8½ million people about our products and why Gay Lea products are found in the dairy case of leading food stores throughout Ontario.

That's how we not only market your milk—we actually follow your milk to market.



#### GUELPH

Butter, Eggs, Milk Powder, Reddi Wip, Top Wip, Cheese, Ice-cream, Ice-cream Mix, fluid milk dairy and dairy bar.

Hanover fluid milk dairy, eggs and cream

Newry milk receiving station

Blyth cheese and milk receiving

Wingham butter and eggs

#### METRO (TORONTO)

Cottage cheese, Yogurt, Sour Cream and Dips

Milk handling and fruit drinks

#### RENFREW

Butter

#### SEAFORTH

Eggs

#### TARA

Butter, Milk Powder

Chesley cream and eggs

#### WOODSTOCK

Cold storage, Cheese curing and packaging

#### HEAD OFFICE MARKETING DEPARTMENTS, WESTON

Central sales and distribution of all products

